

**PUBLIC DISCLOSURE**

May 29, 2001

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**INVESTORS BANK & TRUST COMPANY**

**200 CLARENDON STREET  
BOSTON, MA 02117**

**DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110**

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **INVESTORS BANK & TRUST COMPANY** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **May 29, 2001**. The Division evaluates performance in the assessment area(s), as it is defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

## SCOPE OF EXAMINATION

Investors Bank and Trust Company is designated as a wholesale institution under the laws of the Commonwealth of Massachusetts. Under the Massachusetts CRA regulation 209 CMR 46.00, the CRA performance of wholesale institutions is assessed under the community development test. The community development test considers the institution's community development activities, which are defined as community development lending, qualified investments and services with the primary purpose of community development. The performance of the institution is weighed in relation to the level of activity, innovativeness and complexity of activity as well as responsiveness to community needs. Investors Bank & Trust Company's level of community development activities was measured by evaluating activities during the time period of September 21, 1999 to May 29, 2001. Also considered was its performance in relation to activities reported during the last CRA examination conducted as of September 21, 1999. The institution's community development loan, investment and service files were reviewed to verify that activities were accurately classified.

**INSTITUTION'S CRA RATING: This institution is rated "High Satisfactory"**

An institution in this group has a very good record of ascertaining and helping to meet the credit needs of its entire assessment area, including low and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Investors Bank & Trust Company's business strategy focuses upon asset management for other institutions as well as personal banking. Therefore it does not have the distribution system necessary to be a direct originator of mortgage or small business loans. Investors Bank & Trust Company cannot directly originate a significant volume of mortgage or small business loans due to its branch and personnel limitations. The bank has utilized an investment program, with the assistance of outside mortgage companies and loan brokers, which securitizes mortgage loans and small business loans located in low and moderate-income census tracts. The bank sees this as the most effective means of achieving its CRA objectives in financing housing and encouraging economic development in low and moderate-income areas of Boston. The bank refers to its residential program as the Special Home Financing Program.

Through its community development activities, Investors Bank & Trust Company has funded programs that provide affordable housing, job training, and educational and health related services within its assessment area. The institution exhibits a good level of responsiveness to credit and community economic development needs of its assessment area.

**DESCRIPTION OF INSTITUTION**

Investors Bank & Trust Company is designated as a wholesale institution under the Community Reinvestment Act regulations of the Commonwealth of Massachusetts. As of May 4, 2001, the institution had total assets of \$4.6 billion. This contrasts with an asset size of \$2.2 billion as of the previous examination on September 21, 1999. Net loans of \$87.7 million represent 1.9 percent of total assets. Personal loans are fully secured by the borrower's securities held under trust.

Investors Bank & Trust Company's headquarters are located at the Hancock Tower, 200 Clarendon Street in Boston. In 1993, the bank opened a subsidiary in Toronto, Canada to service the growing offshore mutual fund market. In July 1994, the bank opened an office in Dublin, Ireland to service European clients. In February of 1996, the bank opened a small administration site in the Cayman Islands to service Caribbean based funds.

Investors Bank & Trust Company operated as a subsidiary of Eaton Vance Corporation, an investment management firm, from its formation in 1969 through November 1995. The parent company formerly owned 77.3 percent of the bank and revenues originated primarily from the asset administration services of the bank. In 1995, the Board of Directors of the bank and Eaton Vance decided to separate the business operations of the bank from those of Eaton Vance by means of a tax free, prorata distribution of Eaton Vance's ownership in Investors Bank & Trust Company to the Eaton Vance stockholders.

As a result, Investors Financial Services Corporation was created as the bank's holding company. The principal reasons for the separation were to eliminate the regulatory restrictions the bank was subject to under the Competitive Equality Banking Act of 1987 ("CEBA"), and to enable the bank to pursue its own independent business goals. The elimination of the CEBA growth and activity restrictions enables the bank to bring additional deposits from, and make loans to, its mutual fund clients.

The bank's significant depository clients, which consist mainly of mutual funds, unit investment trusts and other pooled asset products, typically generate large cash balances from securities sales and other transactions which they wish to invest on a short-term basis. Because the bank was previously subject to a 7 percent annual asset growth cap under CEBA it was not able to accept those deposits and thus found it necessary to direct those deposits to other financial institutions, foregoing a potential source of revenue. Previously, Investors Bank & Trust Company directed client deposits averaging almost \$1.2 billion daily to other financial institutions. In 1995 Investors Bank & Trust Company brought these deposits onto its balance sheet and as a result assets increased by over 100 percent from September of 1995 to December of 1995. These additional deposits are primarily invested in mortgage backed securities.

Investors Bank & Trust Company's primary business is asset administration. As an asset administration company, Investors Bank & Trust Company performs various services including domestic and global securities custody, multicurrency accounting, transfer agency, portfolio performance management, foreign exchange, securities lending and administration. Investors Bank & Trust Company also offers trust custody services. This service provides securities custody and accounting services to individuals, family groups, trusts, endowments, foundations, and retirement plans. The bank develops its client base by forming relationships with investment advisors, unrelated to Investors Bank & Trust Company, and working with advisors to service mutual clients. Investors Bank & Trust Company does not hold itself out to the retail public as providing loans. Investors Bank & Trust Company is not in the business of extending home mortgage, small-business, small-farm, or consumer loans to retail customers.

Investors Bank & Trust Company plans to continue a strategy of providing global and domestic custody and multicurrency accounting as the principal asset administration services provided to the bank's clients. The bank's securities lending, foreign exchange, transfer agency and mutual administration services are value-added services used by clients based on their particular needs. The objective of the bank is to provide a broad range of services to all clients, maximize the use of its value-added services and increase the size of its client base. The bank's lending is planned to expand primarily to its mutual fund clients, with the balance of loan growth to come from its trust custody clients consistent with the asset growth of that business. The bank does not plan to expand lending beyond these two markets.

While under the restrictions of CEBA, the bank met its CRA lending responsibilities through the financing of homes in low and moderate-income census tracts in the City of Boston. The bank designed a program after ascertaining that one of the most important

needs of its assessment area was home financing. Investors Bank & Trust Company then developed a specialized investment vehicle to meet these community needs without violating the CEBA prohibition against taking mortgages as loan collateral. Investors Bank & Trust Company contracted with a mortgage loan originator who agreed to package loans made in low and moderate-income areas of Investors Bank & Trust Company's CRA assessment area (Boston MSA). These loans were then packaged into a customized FNMA security. Along with the FNMA security, the bank receives the application for each mortgage along with other documentation which shows the homes were directly financed by the bank and are located in low and moderate-income areas in the City of Boston.

The bank has a CRA Committee that meets on a quarterly basis, and is primarily responsible for meeting with community development organizations located inside the assessment area. Currently, the committee consists of five members that administer the initiatives set forth in the bank's CRA statement. The goal of the CRA Committee is to develop ways in which the bank can provide financing for low and moderate income housing inside its assessment area. The CRA Committee has developed a primary theme of helping to finance low and moderate-income housing in Boston, primarily through the Investors Bank & Trust Company's Special Home Financing Program. Findings of the CRA Committee are reported to the Board of Directors on a quarterly basis.

Investors Bank & Trust Company was last examined for compliance with the Community Reinvestment Act by the Commonwealth of Massachusetts Division of Banks as of September 21, 1999. That examination resulted in a rating of Satisfactory.

## **ASSESSMENT AREA**

Although Investors Bank and Trust operates on a nationwide basis, it recognizes its special obligation of service to the community in which it is physically located. Understanding this obligation to the Commonwealth of Massachusetts, the bank has delineated the entire Boston Metropolitan Statistical Area (MSA) as its assessment area.

Investors Bank & Trust Company's assessment area contains a total population of 3,220,340 individuals, 13.7 percent of which are minorities. The following table provides a further breakdown.

### **ASSESSMENT AREA POPULATION BY RACE**

<b>TOWN</b>	<b>TOTAL</b>	<b>WHITE</b>	<b>BLACK</b>	<b>ASIAN</b>	<b>NT. AM</b>	<b>HISP</b>	<b>OTHER</b>
Boston MSA	3,220,340	2,779,936	198,312	95,654	4,954	130,683	10,621
<b>PERCENT</b>	100.0	86.3	6.2	3.0	0.2	4.0	0.3

\* Based on 1990 Census Data.

Housing information based on 1990 census data on the Boston MSA indicated a median owner-occupancy level of 55.9 percent and median home value of \$186,100. The 2000 and 2001 Department of Housing and Urban Development (HUD) Estimated Median Family Household Income for the Boston MSA is \$65,600 and \$70,000.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE**

The assessment area of the bank is located entirely within the Boston MSA. A wholesale institution may lend or invest outside of its assessment area once it has been determined that the bank is meeting the needs of its assessment area. It has been determined that a sufficient level of investments took place within the bank's assessment area; therefore, consideration of activity in other parts of the country is warranted.

## **LEVEL OF ACTIVITY**

### **COMMUNITY DEVELOPMENT INVESTMENTS**

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. In recognition of the many legal limitations on bank investments, and the long-term nature and complexity of many community development investments, the CRA regulation allows some reasonable consideration for the entire bank portfolio of qualified investments; not just those made since the previous CRA examination.

### ***QUALIFIED INVESTMENTS***

#### **Qualified Investments**

As mentioned previously, Investors Bank & Trust Company cannot directly originate a significant volume of mortgage loans due to the constraints imposed upon it by its branch and personnel limitations, specifically, the lack of trained mortgage personnel. As a result, the bank has decided that an investment program with a mortgage company would be a more productive means of achieving its CRA objectives in financing housing in the low and moderate-income areas throughout the Boston MSA.

In August of 1994, Investors Bank & Trust Company purchased its first qualified investment. This was achieved by contracting with a mortgage loan company who agreed to package loans made in low and moderate-income areas of Investors Bank & Trust Company's CRA assessment area (Boston MSA). These loans were securitized into a customized \$1,000,000 FNMA bond. The applications for the mortgages and all other supporting loan documentation were supplied to the bank to verify that the homes are located in low and moderate-income areas throughout the Boston MSA.

Investors Bank & Trust Company maintained an agreement with Members Mortgage Company and Citizens Bank to originate and package loans for securitization by FNMA. These securities are backed by mortgages in low and moderate-income areas, particularly within the City of Boston. Citizens Bank originated these loans under the Massachusetts Housing Partnership Soft Second Loan Program. Members Mortgage aggressively markets its mortgage programs including its participation in programs that provide closing cost and downpayment assistance. As part of the agreement, Members Mortgage agreed to participate in the City of Boston's homebuying programs and to generate a mass mailing in order to advertise the lending programs for affordable housing in the City of Boston. The bank no longer has any relationship with Members Mortgage. The bank currently utilizes direct relationships with Freddie Mac and Citizens Bank. This relationship is not in the form of any written contract as was the case with Members Mortgage.

### ***Mortgage-Backed Securities***

Investors Bank & Trust Company has invested in \$33,748,762 in qualified mortgage backed securities since the previous examination. Of this amount, \$11,060,000 was originated through the Massachusetts Housing Finance Agency. In addition to the purchased mortgage backed securities, Investors Bank & Trust is committed to purchasing an additional \$13,027,040 of FNMA mortgage backed securities. The bank also retains a portfolio of mortgage backed securities that have a total face value of \$18,022,807. The current book value of these retained investments is \$11,568,587. All mortgages securitizing these investments are located in low or moderate-income census tracts in the Commonwealth of Massachusetts.

### ***Massachusetts Housing Investment Corporation (MHIC)***

Investors Bank & Trust Company made a \$250,000 equity investment in the Massachusetts Housing Investment Corporation (MHIC) Limited Liability Company (LLC) loan program during April 2001. MHIC is committed to the continuing development of affordable housing in communities across Massachusetts. MHIC has a ten-year history of being an innovative private financier of affordable housing and community development throughout Massachusetts. During the ten-year period, MHIC has produced 121 loans totaling \$208 million creating 5,583 units of affordable housing.

The LLC loan program allows MHIC to provide financing to developers and projects that would not otherwise be able to receive financing. MHIC has also been certified as a community development financial institution.

### ***Small Business Investments***

Investors Bank & Trust Company invests in securitized Small Business Loan Pools. Loans securitizing these investments include several within the Boston MSA. During the exam period, the bank purchased pools with face values totaling \$15,058,785. Prior commitments by Investors Bank & Trust Company include an original face value of \$12,544,415 and a current book value of \$7,245,976.



### **Qualified Grants**

Investors Bank & Trust Company has provided grants to organizations that provide education and job skills training, neighborhood revitalization, youth programs and health and human services for individuals in need. From September 20, 1999 through April 27, 2001, Investors Bank & Trust Company extended 30 grants totaling \$199,330. Of these grants, 8 were to CRA qualified organizations with a total value of \$148,225 or 74.4 percent of the total contributions. The following are examples of grants, which qualify as community development, that have been provided to local organizations.

### **Financial Services Academy**

The New England College of Finance established the Financial Services Academy to assist the financial services industry in attracting and retaining qualified entry level personnel. The Academy's mission is accomplished by recruiting appropriate candidates from diverse inner city and suburban populations. Refer to the Community Development Services section of this examination for more details of this program.

### **The Walker Home and School**

This is a non-profit school established to serve children and youth with behavioral difficulties resulting from serious emotional disturbances, developmental and neurological disorders, or a combination of all three. Clients are referred to this agency through their public schools, child welfare agencies or mental health workers. Children are admitted to this facility regardless of their ability to pay. Funding is provided through public school funding, welfare agencies, and Department of Mental Health funding and private support.

### **The United Way**

Investors Bank & Trust Company has made several donations to the United Way during the exam period. Targeted donations to qualified programs included the "Success By 6 Leadership Program." This program provides early intervention in the areas of health care, childcare, and parenting education resources for at risk children.

### **FAIR LENDING POLICIES AND PRACTICES**

Responses to the criteria used for evaluation purposes should be read with an understanding of Investors Bank & Trust Company's lending business. The bank's loan policy prohibits any loans to borrowers that do not purchase custody services from the bank. The bank considers loans a value added service to securities custody, and seeks to minimize risks associated with its lending services. Loans are provided only to custody clients of the bank and each loan is secured or may be secured by assets that the bank holds as custodian. As previously mentioned, the bank does not offer mortgage lending or other retail consumer lending services.

The bank's Senior Vice President of Lending is the only individual who originates loans. This individual maintains training in CRA and Fair Lending through regular reviews of the relevant regulations and various publications. The bank's Senior Vice President of Lending is compensated in salary and a discretionary annual bonus based on the performance of the bank. None of the compensation is based on a commission for loans originated. Investors Bank & Trust Company's Loan and Credit Policy are reviewed by the Loan Department annually and approved by the Board of Directors annually. The bank targets its marketing efforts to the individuals, trusts, and mutual fund companies that are clients of the bank's securities custody services. This is primarily because the bank views its lending products as a value added service to supplement its custody business. Because of the nature of the bank's lending relationships, the bank does not use credit applications. Also, because the bank does not originate any mortgage loans, seminars are not held. Virtually, all credit requests are from clients who are generally financially knowledgeable and often use a financial advisor in the transaction. The bank does not offer mortgage products; therefore, the staff does not have the requisite expertise to provide education regarding home buying and the related credit application process. Investors Bank & Trust Company does not rely on applications nor does it provide retail services; therefore, second review procedures are not applicable. The bank's internal audit department provides a review of procedures and compliance issues in connection with lending.

## **COMMUNITY DEVELOPMENT SERVICES**

Community development services are defined as activities in which the institution, or its staff, provides services or technical expertise with a primary purpose of community development. Investors Bank & Trust Company has maintained an adequate level of involvement in community development service activities since the last examination. Detailed below are the community development services provided by Investors Bank & Trust Company:

## **FINANCIAL SERVICES ACADEMY**

The New England College of Finance established the Financial Services Academy to assist the financial services industry in attracting and retaining qualified entry level personnel. The Academy's mission is accomplished by recruiting appropriate candidates from diverse inner city and suburban populations. The College, in conjunction with non-profit community agencies, recruits appropriate applicants, conducts initial screening, and provides training in basic skills. The candidates include community residents from among the working poor, recent high school graduates, recipients of public assistance, and adults in career transition. The College also established a process of industry specific certification to ensure that candidates meet employer requirements. Participating financial institutions serve on the Academy's governing board, and establish competency-based certification standards. Financial institutions are also encouraged to redefine entry-level job requirements to match the

actual skills needed to perform the work. Certification testing is also provided by the Academy on behalf of its member institutions. In addition, the Academy offers post placement education (at employer's expense) and support services to promote retention, increased job performance, and career advancement.

Investors Bank and Trust Company is a founding member of the Academy. In 1998, Investors Bank and Trust Company awarded a three-year grant of \$100,000 to help establish the Academy. An initial capital contribution of \$25,000 was made with the remainder of the grant to be paid over the three-year period. Investors Bank and Trust Company Managing Director of Human Resources is a member of the Board of Overseers for the Academy and serves on the Finance and Budget Committee.

Data available to examiners indicate that the Academy began its first class on March 29, 1999 with 22 students, all but one of whom were unemployed. Investors Bank and Trust Company receives Community Development Service consideration for the roles played by the Managing Director of Human Resources. Additionally, the bank's participation in this program resulted in nine individuals being hired by the institution from the Academy program. The bank also receives Community Development Investment consideration for the \$75,000 granted to the Academy.

## **THE FINANCIAL WIZARD PROGRAM**

The Financial Wizard Program is a different approach to learning math that teams business professionals with teachers in elementary school classrooms. The program addresses math through the use of hands on activity based lessons that focus on basic math concepts and critical thinking. The students are able to broaden their horizons by gaining valuable direct exposure to business professionals.

The volunteers team up with classroom teachers to deliver a unique set of lessons in basic math concepts, money concepts, and financial markets. Investors Bank & Trust Company has formed a team of ten volunteers to teach two, third grade classes at the Young Achievers Science & Mathematics school in the Jamaica Plain section of Boston.

# THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

## INVESTORS BANK & TRUST COMPANY

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **MAY 29, 2001**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_

# PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.